

OPERATIONS MEMO

For Public Release

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**SUBJECT: Tracking of Audits, Field Billing Orders and Reaudits,
Reviewing and Approving Refunds, Penalty Grants and Denials, and A/R
(Difference) Modifications**

I. GENERAL

This operations memo supersedes General Bulletin 71-3 and contains policies and procedures related to the tracking of unbilled audits, field billing orders (FBOs), reaudits, and adjusted FBOs. This memo also provides policies and procedures for reviewing refunds, penalty grants and denials, and modifications of billed differences (i.e., accounts receivable balances).

II. TRACKING OF AUDITS, FBOs, REAUDITS, AND ADJUSTED FBOs

A. Sales And Use Tax Department

The Audit Determination and Refund Section (ADRS) is responsible for ensuring that audits, FBOs, reaudits, and adjusted FBOs are properly processed.

1. Audits and Field Billing Orders

The Transmittal Reconciliation Report (TRR) was developed for online billing purposes and was designed, in part, to determine the status of transmitted audits and FBOs. The TRR is produced each month and provided to district offices and throughout ADRS. The report lists, by account number, transmitted audits and FBOs that have not yet been determined (billed), refunded, returned to a district, or otherwise processed. The TRR will be retained for two years.

The ADRS is responsible for ensuring that the audits and FBOs contained on the TRR are properly processed. On a quarterly basis, the ADRS will inform the districts, by e-mail or memo, of any audits or FBOs that have either not been determined more than 60 days past the date of transmittal or that have not been refunded more than 120 days past the date of

transmittal. ADRS will follow up on any unprocessed audits or FBOs with the appropriate Headquarters section or district office to ensure that the unprocessed assignment is completed.

2. Reaudits and Adjusted FBOs

The ADRS is responsible for reviewing unprocessed reaudits and adjusted FBOs quarterly. On the first working day of each new quarter, ADRS staff will identify all reaudits and adjusted FBOs transmitted 120 or more days ago, but which remain unprocessed. This information is obtained by requesting a report using the AUD AS screen in the Board's Integrated Revenue Information System (IRIS). The ADRS will retain the reports identifying unprocessed reaudits and adjusted FBOs for two years. These reports must identify the name of the person performing the review and the date on which the review was performed.

B. Property And Special Taxes Department

1. The determination groups of the Excise Taxes and Fees Division and Fuel Taxes Division are responsible for ensuring that audits, FBOs, reaudits, and adjusted FBOs are properly processed. On the first working day of each new quarter, the supervisor of the determination group will identify all audits, FBOs, reaudits, and adjusted FBOs that have been transferred for billing 60 or more days ago, but which remain unprocessed. The supervisor or designee will review all unprocessed audits, FBOs, reaudits, and adjusted FBOs and follow up to ensure the unprocessed assignments are completed. This information is obtained by requesting a report using the AUD AS screen in IRIS. The supervisor will retain the reports identifying unprocessed audits, FBOs, reaudits, and adjusted FBOs for two years. These reports must identify the name of the person performing the review and the date on which the review was performed.
2. The compliance group of the County Property Tax Division, Timber Tax Section, is responsible for ensuring that audits, FBOs, reaudits, and adjusted FBOs are properly processed. On the first working day of each new quarter, the supervisor or designee will identify all audits, FBOs, reaudits, and adjusted FBOs that have been transferred for billing 60 or more days ago, but which remain unprocessed. The supervisor or designee will review all unprocessed audits, FBOs, reaudits, and adjusted FBOs and follow up to ensure the unprocessed assignments are completed. This information is obtained from the Billing Order tracking system. The supervisor will create and retain reports identifying unprocessed audits, FBOs, reaudits, and adjusted FBOs for two years. These reports must identify the name of the person performing the review and the date on which the review was performed.

III. REVIEW AND APPROVAL OF REFUNDS

The following policies apply to all sections or units involved with processing or approving refunds:

- All refunds of \$5,000 or greater require approval of the section supervisor or designee.
- All refunds where the payee name or address has been changed require the approval of the section supervisor or designee.
- Refunds cannot be created and approved by the same employee.
- The section supervisor or designee will verify the validity of at least ten percent of all refunds processed by their section for one day every two weeks that did not require supervisory approval (that is, refunds of less than \$5,000). The DIF BX screen in IRIS is used to request a random sample of the refunds processed and identifies the specific refunds requiring review. This review should be performed at least monthly, and the reports identifying the refunds reviewed should be retained for two years. These reports must identify the name of the person performing the review and the date on which the review was performed.

IV. REVIEW AND APPROVAL OF REQUESTS FOR RELIEF OF PENALTY

Requests for relief of penalty filed by taxpayers can result in the reduction or elimination of penalty amounts previously assessed. In processing such a request, staff makes a recommendation as to whether the request should be accepted. All requests, including those that staff recommend be denied, are approved by a supervisor, manager, or Division Chief based on the amount of penalty involved. The table, on the next page, identifies the approval thresholds for each section processing requests involving relief of penalty amounts.

SECTION	APPROVAL THRESHOLDS (Penalty Amount)			
	\$0.01 - \$5,000	\$5,000.01 – \$15,000	\$15,000.01 - \$50,000	\$50,000.01 and greater
Petitions	Supervisor	Section Supervisor	Chief, Headquarters Operations Division	Chief, Headquarters Operations Division; Deputy Director, SUTD; <i>and</i> Board Members
Return Analysis	Supervisor	Section Supervisor	Administrator, Return Analysis and Allocation Section (RAAS)	Chief, Collections and Third District Operations Division; Deputy Director, SUTD; <i>and</i> Board Members
Consumer Use Tax	Supervisor or Designee	Section Supervisor	Chief, Headquarters Operations Division	Chief, Headquarters Operations Division; Deputy Director, SUTD; <i>and</i> Board Members
Excise Taxes and Fees Division	Supervisor or Designee	Principal Auditor or Principal Compliance Supervisor	Chief, Excise Taxes and Fees Division or Administrator	Chief, Excise Taxes and Fees Division; Deputy Director, PSTD; <i>and</i> Board Members
Fuel Taxes Division	Supervisor or Designee	Principal Auditor or Principal Compliance Supervisor	Chief, Fuel Taxes Division or Administrator	Chief, Fuel Taxes Division; Deputy Director, PSTD; <i>and</i> Board Members
Timber Tax	Supervisor or Designee	Principal Property Appraiser	Chief, County Property Tax Division	Chief, County Property Tax Division; Deputy Director, PSTD; <i>and</i> Board Members

Board Members make the final decision to grant or deny a request for relief of penalty involving amounts greater than \$50,000. Following approval by the Division Chief and the Deputy Director, the approval documents, the file, and the summary write-up for the Board calendar are provided to the Petitions Section for placement of the summary write-up on the next available Board calendar. Before placement on the Board calendar, the Deputy Director will approve the final department decision on all relief of penalty request denials.

Following approval or denial by the Board Members, the Petition Section staff will notify the taxpayer in writing of the Board's decision to grant or deny relief of penalty. The file and approval documents are returned to the section submitting the request to perform the necessary adjustments in IRIS and mail any statements to the taxpayers if needed.

"Petitions Section" as used in this section, means the Sales and Use Tax Department's Petition Section or the Property and Special Taxes Department's petition groups in the Excise Taxes and Fees Division and the Fuel Taxes Division.

V. REVIEW AND APPROVAL OF CANCELLATIONS AND MODIFICATIONS TO BILLED DIFFERENCES

A. \$5,000 And Greater

Cancellations and adjustments of \$5,000 or more to previously billed differences require the approval of a supervisor or designee. Employees authorized to approve difference adjustments cannot create and approve the same adjustment.

B. Less Than \$5,000

All sections involved in adjusting differences previously billed will routinely sample the adjustments not requiring approval (that is, less than \$5,000) to help ensure the validity of the adjustments. The sample review processes used by each section are provided below.

1. Petitions Section

Ten percent of an entire day of transactions not requiring approval will be reviewed once every two weeks. Review days will be selected randomly so that transactions performed by all employees have an opportunity to be reviewed. Until IRIS programming can be completed to generate a random selection of accounts for review, transactions requiring review will be identified by using the Audits Results Released for Billing Report and the Revenue Transaction Audit Trail Report.

The Petitions Section will maintain a log of the reviews performed. Log entries will include the name of the reviewer, the date of review, the account number of transactions reviewed, the name of the employee

initiating the adjustment and a comment regarding action taken on any discrepancies noted. The log will be retained for two years.

2. Return Analysis Section

Every two weeks, a day will be selected for one employee's work to be reviewed. On the day selected for review, an employee's name will be randomly selected. The section supervisor or designee will review the Revenue Transaction Audit Trail Summary Report (Audit Trail), IRIS Document Management browses, daily work summaries, re-file material, or any other available resource to determine if the employee had any transactions posted for the prior date.

The employees will be notified that their work is to be reviewed and will be required to submit all completed work from the previous day to the reviewer. The reviewer will also use this opportunity to perform a quality assurance review, including proper notations left on documents, proper payment application, extensions granted, and so forth.

The section supervisor will maintain a log of the review findings. The log will contain the employee name, the date of review, and the reviewer's name and initials signifying completion of the review of the employee's work for that day. The log will be retained for two years.

3. Consumer Use Tax Section

Ten percent of transactions will be reviewed to ensure they were appropriately and correctly performed. Such reviews will be accomplished by reviewing an entire day's transactions not requiring approval once every two weeks. Review days will be selected randomly so that transactions performed by all employees in the section will be reviewed. Transactions requiring review will be identified by using the CUT SR screen in IRIS in conjunction with the Transaction Audit Trail.

The section will maintain a log to record the reviews performed. Log entries will identify the date and the total number of transactions reviewed. The account number of any transaction with discrepancies will be noted in the comment portion of the log. A memorandum will be prepared for the section files that will identify the total number of accounts reviewed. The hard copy documentation of each report used for the review will be attached to the memorandum. The log will be retained for two years.

4. Excise Taxes and Fees Division and Fuel Taxes Division

Every two weeks, a day will be selected for one employee's work to be reviewed. On the day selected for review, an employee's name will be randomly selected. The section supervisor or designee will review the

IRIS Document Management subsystem browses, daily work summaries, re-file material, or any other available resource to determine if the employee had any transactions posted for the date selected for review.

The employees will be notified that their work will be reviewed and they will be required to submit all completed work from the previous day to the reviewer. The reviewer will also use this opportunity to perform a quality assurance review, including proper notations on documents, proper payment application, extensions granted, and so forth.

The section supervisor will maintain a log of the review findings. The log will contain the employee name, the date of review, and the reviewer's name and initials signifying the completion of the review of the employee's work for that day. The log will be retained for two years.

C. Special Procedures Section

Adjustments not requiring approval that are less than \$1,000 in the Special Procedures Section will be routinely sampled. A Business Taxes Compliance Specialist, on a biweekly basis, will review an employee's transactions that did not require approval. The employee will be randomly selected, and the day of the review will vary so that no set pattern is followed. All employees involved in completing transactions not requiring approval will have their work reviewed. Monthly reports and IRIS browse screens will be used to identify transactions selected for review.

The section will maintain a log to record the reviews performed. The log entries will show the employee name, date of review, number of transactions reviewed, and the reviewer's name and initials. The log will also contain the number of transactions that show discrepancies. The log will be retained for two years.

D. Timber Tax Section

Cancellations and adjustments to previously billed differences require the approval of a supervisor or designee. Employees authorized to approve difference adjustments cannot create and approve the same adjustment.

VI. OBSOLESCENCE

This Operations Memo will become obsolete when the information contained herein is incorporated into the appropriate manuals.

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